

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 97-357-E - ORDER NO. 97-733  
SEPTEMBER 2, 1997



IN RE: Application of Duke Energy Corporation     ) ORDER  
for Authorization under Article 13,             ) APPROVING  
Chapter 27, of Title 58 of the Code of         ) APPLICATION  
Laws of South Carolina, 1976, to Issue         )  
Securities (Revolving Credit Facility).         )

On August 19, 1997, Duke Energy Corporation (Company) filed an application (Application) for authorization to enter into a proposed revolving credit facility, incur and repay indebtedness under such facility pursuant to the terms thereof, and issue notes evidencing such indebtedness, all in the manner described in the Application.

FINDINGS OF FACT

1. The Company holds a certificate of authority to transact business in the State of South Carolina. It is a corporation duly organized and existing under the laws of the State of North Carolina. The Company is duly organized by its Articles of Incorporation to engage in the business of generating, transmitting, distributing and selling electric power and energy, and in the business of operating water supply systems, and is conducting and carrying on such business in each of said States. It is a public utility under the laws of this State and in its operations in this State is subject to the jurisdiction of this

Commission. It is also a public utility under the laws of the State of North Carolina and in its operations in that State is subject to the jurisdiction of the North Carolina Utilities Commission. It is a public utility under the Federal Power Act, and certain of its operations are subject to the jurisdiction of the Federal Energy Regulatory Commission.

2. The Company proposes, pursuant to its application in this Docket, to enter into a five-year revolving credit facility with a group of certain large commercial banks, under which it may borrow from time to time up to a maximum amount of \$1,250,000,000 (the "Facility"). Morgan Guaranty Trust Company of New York will serve as administrative agent for the Facility. The maturity date may be extended at the Company's option for up to two additional one-year periods, upon the consent of lenders having at least two-thirds of the aggregate amount of commitments to lend under the Facility. Borrowings under the Facility will be unsecured and will not encumber any of the Company's assets.

The authorization granted herein is a condition to effectiveness of the Facility. Borrowings will not be available under the Facility until such condition is satisfied.

Under the Facility, the Company may request loans which may remain outstanding for periods extending up to the maturity of the Facility. Upon the request of one or more of the lenders under the Facility, the Company must issue a note to such lenders evidencing loans made by such requesting lender under the Facility. Therefore, the Company may incur obligations payable at

a period of more than two years from the date thereof, and may be required to issue notes evidencing such obligations.

The Facility will also allow the Company to request issuance of letters of credit on its behalf by one or more of the lenders under the Facility, in amounts up to the amount available under the Facility.

Interest payable on loans taken under the Facility will vary depending upon the interest rate option selected by the Company. The options available are (i) Base Rate, (ii) LIBOR plus the Applicable Margin, (iii) Bid Rate (General), and (iv) Bid Rate (Indexed). Definitions of such rates are as set forth in the Appendix to the Summary of Terms and Conditions, which is attached as Exhibit B to the Company's application in this Docket (the "Term Sheet").

The Company's primary intended use for the Facility is to provide credit support for its commercial paper program. Under that program, the Company plans to continue issuing and selling commercial paper from time to time in varying amounts, not to exceed the amount available for borrowings under the Facility.

When any borrowings under the Facility, or commercial paper backed by the Facility, is used for refundings or refinancings, the Company proposes to execute the transactions so that, over time, there will be no material effect on the Company's capitalization with respect to the source of funds.

3. Except as described in this paragraph, no fee for services will be paid (other than attorneys, accountants and fees

for similar technical services) in connection with the negotiation or consummation of the Facility, nor for services in securing underwriters, agents, dealers or purchasers for the Facility or any notes or commercial paper described herein (other than fees negotiated with such persons). The Company will pay a Facility Fee as described in the Term Sheet. The Company states in its Application that such fee is the result of arm's length negotiations with the lenders under the Facility, and is comparable to fees payable in similar transactions in the marketplace. The Company will also pay certain administrative fees based upon arm's length negotiations with the administrative agent under the Facility, consisting of one-time syndicate and advisory fee of not more than \$100,000, and an annual administrative fee of not more than \$1,500 per participating bank.

4. When borrowings under the Facility, or the net proceeds from sales of commercial paper backed by the Facility, will be applied and used by the Company to purchase or redeem certain of the Company's outstanding unmatured securities, such borrowings or sales will be made when market conditions permit the borrowings or sales on terms which would result in a lower cost of money to the Company, as set forth in the Application.

5. Proceeds from sales of commercial paper backed by the Facility, and from borrowings under the Facility, will be used for (a) the purchase or redemption of the Company's outstanding higher cost securities as hereinafter provided, (b) refunding maturing securities, (c) financing the Company's ongoing electric plant

construction (including the acquisition of nuclear fuel), or (d) working capital requirements. The Company states that it may continue to issue intermediate-term or long-term debt securities for these purposes, as authorized by this Commission in Docket No. 96-123-E, Order No. 96-288 and Docket No. 93-634-E, Order No. 93-975. The Company proposes that none of the proceeds from such issuances or borrowings will be used to assume, refinance, refund or redeem any securities or other debt obligations of any of the Company's subsidiaries.

#### CONCLUSIONS

Upon review and study of the verified Application, its supporting data and other information in the Commission's files, the Commission is of the opinion, and so finds, that the Company is a public utility subject to the jurisdiction of this Commission with respect to its rates, service, and securities issues and that the entry into the Facility, the incurrence and repayment of indebtedness pursuant to the terms thereof, and the issuance of notes evidencing such indebtedness as set forth in the Company's Application are:

- a) For lawful objects within the corporate purposes of the Company;
- b) Compatible with the public interest;
- c) Necessary and appropriate for and consistent with the proper performance by the Company of its service to the public and will not impair its ability to perform that service; and
- d) Reasonably necessary and appropriate for such purposes.

When the net proceeds from the borrowings herein authorized are applied and used by the Company to purchase or redeem certain of the Company's outstanding unmatured securities, such sales will be made from time to time when market conditions will permit the sales on terms which would result in a lower cost of money to the Company. No such borrowing will be consummated unless the resulting cost of money to the Company on the borrowing and the corresponding purchase or redemption of higher cost securities, including any premiums paid, would result in a minimum cost reduction to the Company on a discounted cash flow basis of at least .5% as against a break-even interest rate over the life of the new borrowing (assuming an unchanged interest rate in the case of comparison with floating rate securities). In the event that any premium on purchased or redeemed securities is amortized over the life of the new borrowing, the Company shall include the after-tax amount of such unamortized premium in the Company's rate base as a component of working capital.

IT IS, THEREFORE, ORDERED: That Duke Energy Corporation be, and it is hereby, authorized, empowered, and permitted, upon the terms and conditions set forth in its Application:

1. To enter into a proposed revolving credit facility, incur and repay indebtedness under such facility pursuant to the terms thereof, and issue notes evidencing such indebtedness, all as described in the Application;

2. To use the net proceeds of such borrowings to purchase or redeem higher cost securities, to refund maturing securities, for

its ongoing electric plant construction (including the acquisition of nuclear fuel), or for working capital.

IT IS FURTHER ORDERED, that:

1. The Company file a written report to the Commission within thirty (30) days after the consummation of any borrowing under the Facility as herein approved. The report shall contain as a minimum the following data:

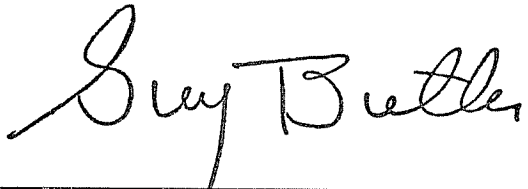
- a. Date of borrowing;
- b. Principal amount borrowed;
- c. Stated interest rate;
- d. The specific use(s) of the proceeds; and
- e. The Docket and Order Number authorizing the borrowing and the amount of savings in interest to be realized from the redemption/refinancing transaction being reported.

2. Approval of this Application does not bind the Commission as to the ratemaking treatment of the transactions contemplated hereunder.


3. This Order shall not, in any way, affect or limit the right, duty or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Deputy Executive Director  
(SEAL)